

To: Ms. Kristi Izzo
Secretary of the Board
New Jersey Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Re: I/M/O Appropriate Utility Funding Allocation for the 2004
Clean Energy Program, BPU Docket No. EX03110946 and
I/M/O of Comprehensive Energy Efficiency and Renewable
Energy Resource Analysis, BPU Docket No. EX04040276

Honeywell's Written Comments Regarding the Commercial
and Industrial Programs Portion of this Proceeding

Submitted
June 29, 2004

Honeywell would like to thank the New Jersey Board of Public Utilities, its President, Commissioners and Office of Clean Energy for allowing us this time to submit comments regarding the upcoming Comprehensive Resource Analysis (“CRA”) as it pertains to the Clean Energy Program’s future Commercial and Industrial Programs.

Honeywell has delivered savings, improved comfort, and offered technical assistance to over 9,00,000 customers on behalf of more than 150 electric, gas, and water utilities nationwide. As a company who has helped New Jersey’s electric and gas utilities successfully deliver energy efficiency programs for the past 22 years, Honeywell compliments New Jersey for being a leader in providing it’s consumers and businesses with innovative, comprehensive and results-driven programs. Further, with continuous marketplace input, planning and evaluation, we believe that the program line up will only continue to evolve and improve.

Honeywell recognizes that many venues (committees, working groups, etc.) will be made available over the next several months to work with the Board, the Office of Clean Energy and other Interested Parties to share our ideas to help ensure C&I programs are successful in meeting New Jersey’s energy policy objectives. As such, our comments today will outline our recommendations at a high level and we look forward to providing additional detail supporting our recommendations at the appropriate time.

In looking to the future, we encourage the Board to review and consider an issue the Clean Energy Council (“CEC”) and it’s working committees wrestled with when approving the 2004 program portfolio. In particular, we highlight the discussions surrounding program offerings as they relate to equity within and among customer segments. Active discussions and debates among stakeholders resulted in an opinion that the New Jersey Clean Energy Program should benefit all ratepayers through all customer segments.

In staying with this opinion, Honeywell suggests that the Board allocate appropriate funding for programs that address the unique needs of serving New Jersey’s small to medium sized businesses, who within the industry are classified as “an underserved marketplace”. Honeywell’s marketplace experience shows us that many small business owners struggle to run their day to day business. While they work to keep it financially sound in times of economic challenges, they have little time and little to invest in energy efficiency options and seldom allocate budgets for efficiency improvements.

Furthermore, we find these customers are:

- less resourced, in people, skill-sets, and in their familiarity of technology and best practices to reduce their energy consumption;
- “financially challenged” and less likely to make an improvement in their energy consuming infrastructure without assistance;

- less likely to receive energy service companies calling on them due to the higher transaction costs associated with marketing to many small companies vs. the larger scale opportunities with large C&I customers.

Through our participation in these proceedings, Honeywell is aware of and supports the Board's desire to conduct market assessment studies for each of its program areas of energy efficiency and renewables. We applaud the Center of Energy, Economic and Environmental Policy's selection of Kema-Xenergy, a well respected and experienced company in this field. We recommend that the market assessment of New Jersey's small and medium sized businesses is included in their project scope. We believe that their findings will support our experience; that this market segment offers significant savings potential that requires customer-focused programs in order to transform this segment into a more mature and responsible energy efficiency partner.

Honeywell's participation with the CEC's Energy Efficiency's C&I sub-committee in 2003 was truly appreciated. There, we had the opportunity to work side by side with a broad and diverse stakeholder group of marketplace actors including, the BPU, NJ utilities, large C&I customers, Environmental Advocates and energy efficiency implementation companies. Noticeably absent, however, was representation from New Jersey's small and medium business community or policy consideration for their particular needs. As such, we suggest that efforts be made to ensure this segment participates in future forums so that programs are designed based on the understanding of their energy efficiency challenges and to address the barriers preventing the State from realizing their savings impacts.

Honeywell's last area of comment today is to suggest to the Board that when establishing or refining the future C&I program lineup, it consider the myriad of new technologies and practices now available. Our experience providing these customer's energy efficiency services has allowed us to better understand their energy consuming appliances. Based upon numerous studies and our own direct field experience, lighting and HVAC are the two primary energy users in this market segment. . When focusing in on specific customer groups within this segment, such as lodging and restaurants for example, additional energy savings opportunities exist in such areas as refrigeration, vending machines, domestic hot water usage, and ice making machines.

Therefore, we recommend the Board consider the benefits of other energy saving strategies including:

- HVAC Tune Ups – There have been significant advances in the study and treatment of unitary air conditioning units typically found on the roof tops of many retail and business establishments. These advance diagnostic technologies provide us with the ability to give our NJ contractor base the knowledge and tools needed to make significant reductions in energy consumption for 10's of thousands of units currently operating in our State. Most customers do not have the resources to change out inefficient equipment. If it's not broken, it isn't fixed, or replaced - the only option currently available under the existing programming.

And if it's working, it's generally ignored leaving significant opportunity to improve efficiency and reduce energy consumption.

- EMS installation – There are numerous energy management systems available and specifically designed for today's small commercial and industrial user. Unfortunately, these technologies have longer payback periods associated with them as opposed to the "low hanging light". Thus, as a rule, these opportunities usually wind up as lost opportunities.
- Appliance cycling for the commercial customer – One look around the country and you can see strategy being developed and adopted as a measure to provide reliability and peak load reduction.... The New England ISO, The Long Island Power Authority, Con Edison, San Antonio Texas and Austin Energy are all examples of groups deploying this strategy. Current technologies have demonstrated that a significant amount of load can be shed from these customers during peak times where either a utility is T&D constrained or whereby pricing on the open market may spike.
- Cross cutting programs that continue to integrate gas and electric savings with water savings. There are several water saving strategies for businesses that also have energy savings associated with them. By adopting this type of synergistic strategy, it is possible to spread the costs of such measures over a larger base. This approach also yields the opportunity to provide comprehensive treatment to the customer in a "one stop shop" approach. Energy savings, water savings and sewer rate reductions can all benefit this customer segment and make a definitive improvement to their bottom line.

In conclusion, Honeywell wishes to thank the Board and the Office Of Clean Energy for the opportunity to comment today and to assist New Jersey in continuing its' leadership in Energy Efficiency Policy. Accompanying our testimony, we have included supporting information to the recommendations that have been presented today.